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MISSOURI ENERGY DEVELOPMENT ASSOCIATION  
COMMISSIONER TERRY JARRETT PRESENTATION  
SEPTEMBER 3, 2009

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14 The following speech was taken on  
15 September 3, 2009 between the hours of 11:30  
16 a.m. and 12:00 p.m. at the Renaissance St.  
17 Louis Grand Hotel, 800 Washington, in the City  
18 of St. Louis, State of Missouri, before Rebecca  
19 Brewer, Registered Professional Reporter,  
20 Certified Realtime Reporter, Missouri Certified  
21 Shorthand Reporter, and Notary Public within  
22 and for the State of Missouri.  
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1 A P P E A R A N C E S  
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3 Mr. Terry Jarrett  
4 Public Service Commission

5 State of Missouri  
6 200 Madison Street P.O. Box 360  
7 Jefferson City, Missouri, 65102  
8 573-751-3243

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1 MR. JARRETT: Thank you, Warren. You read  
2 that very well. Well, thank you. I am glad to be  
3 here. I notice one of my colleagues, Commissioner  
4 Gunn, back there. Hello. One of esteemed  
5 colleagues, I should say. As Warren had indicated,  
6 in order to be cautious because I know we are in  
7 the middle of a rate case and a couple of the

8 parties may be in attendance, I wanted to take some  
9 extra precautions to make sure there's transparency  
10 and also that all of the rules are followed. So do  
11 have a court reporter here today to transcribe my  
12 remarks that will be posted on my website. Won't  
13 be taking any questions but I am indeed glad and  
14 honored to be here to speak with you today. As a  
15 commissioner and regulator, my usual role is to sit  
16 as a decision maker in cases. I get to review  
17 evidence, listen to testimony presented by the  
18 parties in the case. Then I must make a decision  
19 based on the facts and the law. I get to hear from  
20 you but you don't always get to hear from me except  
21 in the Commission's written orders. Since I am  
22 here, I would like to take the opportunity to give  
23 you a taste or a flavor, if you will, of what it is  
24 like to be a regulator in today's world. First, my  
25 standard disclaimer. The opinions expressed in

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1 this presentation are mine and mine alone and are  
2 not those of the Commission, any other commissioner  
3 other than myself, or any member of the staff of  
4 the Commission. Further, nothing in this  
5 presentation should be attributed to any case or  
6 matter before the Commission or to any member of  
7 the staff of the Commission, other commissioners,  
8 or the Commission itself. I don't have to tell you  
9 that we live in uncertain times and face many  
10 challenges. We must address difficult problems and

11 there are no easy answers. It is no different with  
12 utility regulators. We face pressures and forces  
13 from people with competing agendas who attempt to  
14 influence what we do. They try to advance their  
15 own interests, but as regulators, we are required  
16 to see beyond private interests and advance the  
17 public interest. It is this delicate balance that  
18 we must achieve as regulators that offers the  
19 greatest challenge. What is the public interest?  
20 It is not necessarily what the parties are seeking  
21 in a case, although that certainly is a part of it.  
22 The public interest is more than that. Many times,  
23 in the context of a case, it is difficult for  
24 regulators to determine the public interest,  
25 because the parties are adept to concealing their

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1 private goals in public interest language. I have  
2 seen companies that insist that only a 12 percent  
3 return on equity, which is a private interest  
4 desire, will prevent debilitating bond downgrades,  
5 which is a legitimate public interest concern. But  
6 then they will settle at 10 percent, exposing their  
7 public interest argument as a sham. Industrials  
8 often argue for discounts below fully allocated  
9 costs, which is a private interest desire, arguing  
10 without those rate reductions they will depart,  
11 shifting fixed costs to other rate payers, which is  
12 a legitimate public interest concern. But they  
13 offer no facts on their destination, which would

14 provide evidence as to the strength or weakness of  
15 their argument. Residential customers often argue  
16 that utilities are not incurring costs prudently,  
17 which is a public interest argument, but then they  
18 will settle allowing utility to recover many of the  
19 costs that they argued against, again, exposing  
20 their public interest argument as a sham. Sorting  
21 through all the noise in a case makes it difficult  
22 for us as regulators to determine how to advance  
23 the public interest. Layer on top of this the  
24 current economic situation. Credit markets are  
25 tight, which means that utilities must borrow at

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1 higher interest rates, if they can get capital at  
2 all, which increases their costs. New  
3 infrastructure is needed in all utility sectors, be  
4 it electric, gas, water, or telecommunications.  
5 Industrials are in trouble because their orders are  
6 down and worldwide competition does not allow them  
7 to make a decent profit when they can sell the  
8 case. Residential customers are hurting with high  
9 unemployment rates, lower wages, and increasing  
10 elderly populations on fixed incomes. The  
11 political situation is also a cause for concern.  
12 Cap and trade legislation, if passed, would  
13 increase rates in Missouri exponentially. Other  
14 environmental requirements add costs that will have  
15 to be passed along to rate payers. Renewable  
16 portfolio standards require utilities to expand

17 their green initiatives when the technology is not  
18 here yet to support such ambitious goals and the  
19 cost of current technology is prohibitive.  
20 Legislators increasingly attempt to influence the  
21 regulators' decisions before the evidence in that  
22 case is even presented. As we have seen in the  
23 current health care debate, the public is becoming  
24 increasingly angry and vocal about their concerns  
25 with higher taxes, rising costs, and government

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1 intrusion into their private lives, despite a  
2 national agenda that is pushing strongly for more  
3 and more government. Factor in yet another  
4 complication; public scrutiny. Newspaper editorial  
5 boards, with their own agendas, improperly question  
6 the impartiality of the Commission, find ethical  
7 problems where there are none, and stereotype  
8 commissioners. Editorial cartoons mock individual  
9 commissioners. This erodes public confidence in  
10 regulators at a time when confidence in government  
11 generally is at an all time low. With all of this  
12 going on, how do we, as regulators, effectively  
13 function to advance the public interest? Well, I  
14 have a few thoughts. First, collaboration.  
15 Current state statutes and rules encourage a  
16 continuing dialogue between commissioners and  
17 stakeholders. It is imperative that commissioners  
18 continued to be allowed to attend meetings like  
19 this to discuss general regulatory policies. Only

20 when we are fully informed can we as regulators  
21 truly advance the public interest. Flexibility.  
22 As a commissioner, I believe that I need as many  
23 tools as possible in my toolbox to do a good job.  
24 We must develop innovative ways to address new  
25 problems. Having the flexibility is key to

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1 formulating sound public policy and solving  
2 difficult issues. Creating obstacles and onerous  
3 regimes limiting commissioners' options only  
4 subverts this goal. Transparency. As a  
5 commission, we must be as transparent as possible  
6 so that the public can have confidence in what we  
7 do. This includes laws and rules that provide a  
8 workable framework which recognizes that regulators  
9 are not just decision makers within the limited  
10 context of cases and that clearly recognize our  
11 obligation to the public interest. Hard questions  
12 and difficult issues do not lend themselves to easy  
13 answers. We are not working in a business as usual  
14 or business as it has been environment. As  
15 regulators, we must recognize that new thinking,  
16 new ideas, and fresh approaches are going to be  
17 necessary as we address new issues which were  
18 unknown 50 years ago. These new issues include  
19 energy efficiency, demand side management,  
20 renewable portfolio standards, greenhouse gas  
21 emissions, credit markets that are learning the new  
22 status quo, tackling unprecedented challenges in



23 every aspect of business management, as well as the  
24 new world economy and the injection of competition  
25 which it brings at every level. That is why it is

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1 critical to have the information, the facts, and  
2 the evidence in cases that can guide the regulator  
3 in balancing the individual concerns of the public  
4 interest. I want to leave you with two points.  
5 First, I hope that I have conveyed that I do  
6 understand the problems you face. Economic  
7 development is an important part of the public  
8 interest. Customers deserve safe and reliable  
9 services at the lowest reasonable rates. Utilities  
10 must have adequate revenue to provide that safe and  
11 reliable service as well as earn a reasonable  
12 return on their investment. Second, I hope that I  
13 have given you an insight on the difficult job we  
14 as regulators face in balancing all of these  
15 competing interests. While it may be difficult, it  
16 is a job that I do not shy away from. Only by all  
17 of us working together can we forge new policies  
18 and new solutions to the challenges we face. And  
19 with that I thank you. And just as a final  
20 comment, I hope that at some point when we don't  
21 have any pending rate cases, I'm able to come back  
22 and have a vigorous back and forth discussion on  
23 some of these general regulatory emissions because  
24 I think that's important. Thanks again.  
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1 STATE OF MISSOURI)  
2 CITY OF ST. LOUIS)SS

3 I, Rebecca Brewer, Registered Professional  
4 Reporter, Certified Real-time Reporter, and  
5 Notary Public in and for the State of Missouri  
6 do hereby certify that the foregoing speech in  
7 the foregoing meeting was taken by me to the  
8 best of my ability and thereafter reduced to  
9 typewriting under my direction; that I am  
10 neither counsel for, related to, nor employed  
11 by any of the parties to the action in which  
12 this deposition was taken, and further that I  
13 am not relative or employee of any attorney or  
14 counsel employed by the parties thereto, nor  
15 financially or otherwise interested in the  
16 outcome of the action.

17 \_\_\_\_\_ RPR, MO-CCR,  
18 Notary Public within and for the State of Missouri

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21 My Commission expires April 7, 2013.

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